

# Climate Finance Advisory Service

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Daily Briefing

## 26th Adaptation Fund Board Meeting (9 October 2015)

This is the Climate Finance Advisory Service (CFAS) Daily Briefing. Produced at key meetings and negotiations by the CFAS expert team, the Daily Briefings try to provide a concise, informative update on key discussions that have taken place at each day of the meeting and give an overview of substantive points of action or progress. Please note that this is an independent summary by CFAS and not officially mandated by the AF Board or Secretariat.

### Summary from 9 October 2015

On Friday, 9 October 2015, the Adaptation Fund Board (AFB) resumed its 26th meeting in Bonn, Germany. After a successful first day, the AFB moved on to address the remaining items on its agenda.

### Report of the PPRC

The Board meeting started with the report of the Project and Programme Review Committee (PPRC). At this meeting 15 proposals with a total requested funding of USD 62,483,796 were presented to the PPRC and the AFB for consideration - 5 project concepts and 10 fully developed proposals.

With regard to the 5 concepts, the AFB followed the recommendation by the PPRC to endorse the concept notes of Senegal and India, submitted by their respective NIEs, as well as to approve their requested project formulation grant. The 10 fully developed proposals included four small-sized proposals (not exceeding USD 1 million) and six regular proposals. Following the recommendation by the PPRC, the Board approved one small-sized proposal for India and two fully developed proposals for India and Chile, all submitted by their respective NIEs.

For the first time, the AFB considered regional projects, with 7 pre-concept proposals received amounting to about USD 60 million. Based on the recommendation by the PPRC, the Board decided to endorse four out of the seven: one regional project in Africa by the West African Development Bank

(BOAD), one regional project in Africa by UNEP and two proposals by the UNDP in the Caribbean and the Indian ocean.

In the discussion following the decision by the Board, several Board members raised concern that the total amount requested by the implementing entities for regional projects already exceeded the USD 30 million cap that was set for the regional project pilot programme. Board members felt that this situation could create uncertainties and reduce the appetite of project proponents to invest time and efforts to submit ambitious regional projects, given the financial constraints. In response, it was mentioned by the secretariat that the notification sent to the project proponents for regional projects clearly informed them that an endorsement of pre-concepts and concepts did not imply any funding commitment, which is the case when the fully developed proposal is approved. The Board decided to continue discussing the issue at its next meeting.

### **Potential linkages with the GCF**

Following the PPRC report, the Board had intensive discussions on potential institutional linkages between the AF and the GCF, based on a paper that was prepared jointly by the secretariat and trustee on request of the AFB at its last meeting. The paper looked at two scenarios: (i) a potential operational linkage with the GCF, through either accreditation or an ad hoc agreement or Memorandum of Understanding (MoU); or (ii) an institutional integration between the two funds. The secretariat, in introducing the document, clarified that the document did not consider the option, whether or not the AF meets the standard for accreditation by the GCF, but rather potential legal and technical implications of an eventual accreditation of the AF by the GCF. In doing so, the analysis referred only to available documents in the public domain, as to avoid any speculations.

With regard, to a MoU between the two funds, it was pointed out that this option would mainly be subject of negotiations between the two funds with some decisions by the COP and CMP, and that it was therefore difficult to foresee possible outcomes. However, it was highlighted that this option would provide more flexibility to the two funds to opt to the best suitable arrangement. Due to the lack of definitive procedures by the GCF and the political dimension of the process, the AF secretariat was not able to draw any substantive conclusions. With regard to the financial implications, the trustee representative highlighted that, despite the uncertainty around the permanent role of the World Bank (WB) as the Trustee, the process would be straightforward, as the WB is serving as the interim trustee of and has a legal agreement with both funds.

In the discussion, Board members presented several views on the optimal way forward, bearing in mind the initial stage of the GCF operations and the uncertainty linked with the political dimension of the subject. A Board member reminded that the GCF Governing Instrument only touched on the issue of complementarity of the GCF in the broader climate finance landscape context and does not address the issue of sustainability of resources. In his view, if the AFB was mainly looking at enhancing sustainability, the AF should rather explore its added value in the adaptation field, and how it can further help countries to advance adaptation. It was pointed out by the same Board member, echoed by several colleagues, that the AF is in fact delivering on the ground, helping very poor people to adapt, while building and strengthening institutional capacities in weak countries that have been so far bypassed by international support. With regard to the issue of accreditation of the AF by the GCF, there seemed to be convergence, that at this point in time, the AF should not consider this option. Rather, the AF should raise awareness, promote its profile and encourage donors to pledge into the AF, based on the fund's good track record. It was suggested to integrate in the report of the AF to the CMP, an invitation to the CMP to invite the COP to request the GCF Board to consider matters related to the complementarity, as per paragraphs 33-34 of the GCF Governing Instrument.

### **Other matters**

The resource mobilization task-force updated the AFB on the urgent need to step up fundraising effort vis-a-vis donors. USD 95 million have to be raised to meet the fundraising target of 2014-15.

Furthermore, Board members considered ways of approving grants for projects under the readiness programme intersessionally, with the view to avoid unnecessary delays in the approval process. Based on the recommendation by the PPRC, the Board decided that the reviews of readiness proposals could be submitted to the PPRC for intersessional recommendation.

The Board also deliberated on a proposal to amend the fund's Operational Policies and Procedures, dealing with small-sized project and programme proposals. The amendment now allows small-sized proposals to also use the two-step review cycles, consisting of the submission of a concept and later a fully developed proposal. In addition, small-sized project and programme proposals are eligible for

project formulation grants, at the time of the endorsement of the concept, provided that the total budget is not less than USD 500,000.

Last but not least, the Board also considered a document, proving an analysis of climate adaptation reasoning in project and programme proposals approved by the Board. In the discussion, it was pointed out that the causal link to climate change at the project level could be more detailed in order to better differentiate development from adaptation projects. In addition, the issues of adaptation needs and their relations to climate drivers, as well as risks associated with those drivers were discussed. As recommended by the PPRC, the secretariat was requested to finalize the report before COP 21, by broadening the analysis of adaptation reasoning to other development actors and including more information with respect to labeling of figures. A shortened and simplified version of the report will be provided before the climate summit in Paris.

Before closing the meeting, the Board elected members for its different committee panels. The incoming vice-chair from developed countries will be Michael Kracht (Germany). The developing country vice-chair will be elected intersessionally.

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